

# Major Moves Help Desk

## Office of Governor Mitch Daniels

### Status Quo Won't Move Us Forward

By Geoffrey F. Segal  
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Proposing something as bold as Major Moves, Gov. Mitch Daniels' new 10-year transportation plan, requires vision, innovation and leadership. When states and cities fail to keep up with growth and congestion, politicians tend to take easy policy routes that allow them to say, "We're doing what we can" even though their "answers" produce few real-world improvements.

The big-picture transportation projects that would improve our quality of life and offer viable, long-term solutions are often costly, require compromise and frequently inflame special interests groups. Politically, it is easier to play it safe and avoid the tough decisions.

Daniels' proposed lease of the Indiana Toll Road would net the state \$3.85 billion and earn the state upwards of \$800 million in interest to further fund transportation projects. Furthermore, the contractor has pledged to spend about \$4.4 billion in Toll Road improvements.

Perhaps the most important impact on the Hoosier state is the creation of at least 130,000 new jobs.

The Indiana Toll Road deal is part of a larger trend beginning to sweep the nation as global capital markets discover the potential of U.S. highways. The Chicago Sky-

way, an eight-mile stretch of highway, was leased for more than \$1.8 billion last year. So far, more than \$15 billion worth of proposals are pending approval in three states -- Texas, Virginia and Georgia. Companies have expressed interest in building an additional \$15 billion worth of new projects in Texas alone. Ohio and Illinois are debating plans similar.

For context, private investment in U.S. highways in just a few states could soon eclipse the \$35 billion in federal highway gas tax funds that Congress issued nationwide in 2004. According to the U.S. Department of Transportation, in the past 20 years 359 roads worth \$157 billion have been built by public-private partnerships. Construction projects using this financing model require far less or no public investment and enable us to complete more projects in less time for less money.

The math is simple: Indiana cannot afford road improvements and new capacity if it maintains the status quo. Major Moves enables the state to leverage these financial gains by seeking public-private partnerships on other projects throughout the state, like the construction of a new terrain I-69.

Every other plan put forth falls short of the money needed to fully fund Indiana's transportation needs. Not even a quadrupling of the gas tax would generate as much revenue. One of the biggest political issues is

that a foreign company would likely lease the Indiana Toll Road. There isn't yet a viable domestic market or industry that can compete with foreign companies. While this is changing, Hoosiers shouldn't need to wait for their roads to be built.

Let's not forget that ownership ultimately remains with the state. The concession agreement, a detailed 200-plus page document, will shield the state and protect taxpayers' interests. The agreement also mandates the contractor hire Hoosiers first and "Buy Indiana" for 90 percent of its purchases. Let's also not forget that the Toll Road can't be picked up and moved to Australia.

There is little doubt that Indiana's transportation system needs investment and improvement. Approving Major Moves is vital to the overall success and development of the transportation system. Private capital markets have opened the door to making dramatic inroads into solving our infrastructure needs. It's time for Indiana to walk in.

**Segal is director of government reform at Reason Foundation and an adjunct scholar with the Indiana Policy Review Foundation. Segal is co-editing a special issue of the Indiana Policy Review dedicated to transportation policy in Indiana.**

### Other States Get IN Line

Since Governor Mitch Daniels announced a bid of \$3.85 billion to lease the Indiana Toll Road, other states are following our lead.

**Texas** explores leasing Harris County Toll Roads.

**Kansas, Ohio, Illinois, and New York** officials express interest in beginning the public-private partnership process.

**Utah** moves closer to passing legislation authorizing public-private partnerships for new road construction.

**North Carolina and Nevada** consider additional expansion of legislation.

### Lawmakers' Questions Answered

**Can the operator of the Toll Road authorize the shipment of nuclear materials?**

Nuclear waste is handled in the same manner as other hazardous material. It is transported by permit which is issued by INDOT. This process will remain the same under the lease.

In addition, The Indiana State Police or Indiana National Guard may continue to escort these shipments, if needed.

### National Taxpayers' Rights Group Supports Major Moves

Gov. Mitch Daniels' plan to allow a private firm to operate the Indiana Toll Road while using funds from leasing it to invest in infrastructure is a win-win for taxpayers and motorists.

Although drivers pay for road construction and upkeep when they fill up at the pump, for a number of reasons (including congressional mismanagement and restrictive labor rules like Davis-Bacon), this process is often more costly than necessary. In Indiana, the transportation budget is \$2.8 billion less than needed.

As an alternative to increasing gas taxes, tolling can leverage the private sector to improve infrastructure. These agreements must be carefully designed to protect taxpayers and road users from abuse, especially at the hands of bureaucracies. Experience has shown that state tolling agencies are notoriously inefficient and revenue from state toll roads often gets shifted from road construction and maintenance to mass transit and general fund uses.

Major Moves avoids the pitfalls so often associated with toll roads and will result in better roads for the state. Taxpayers should support this innovative proposal.

**Paul J. Gessing**

Director of government affairs  
National Taxpayers Union  
Alexandria, Va.

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